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CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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## GENERAL

1. Indian ambassador believes Peiping may compromise on prisoner issue:

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The Indian ambassador in Peiping believes the Chinese Communists are prepared to compromise on the question of the imprisoned American airmen

if the United States does not "bluster" with them, according to information disclosed confidentially to Ambassador Lodge by an Indian representative to the United Nations. Peiping's way out, the Indian ambassador thinks, would be to reduce or commute the sentences without admitting that the convictions had been wrong.

Comment: The Chinese Communists may have suggested this thought to the Indian envoy. Peiping's propaganda has insisted that the regime cannot be intimidated into releasing the airmen, but has apparently left an opening for a negotiated settlement.

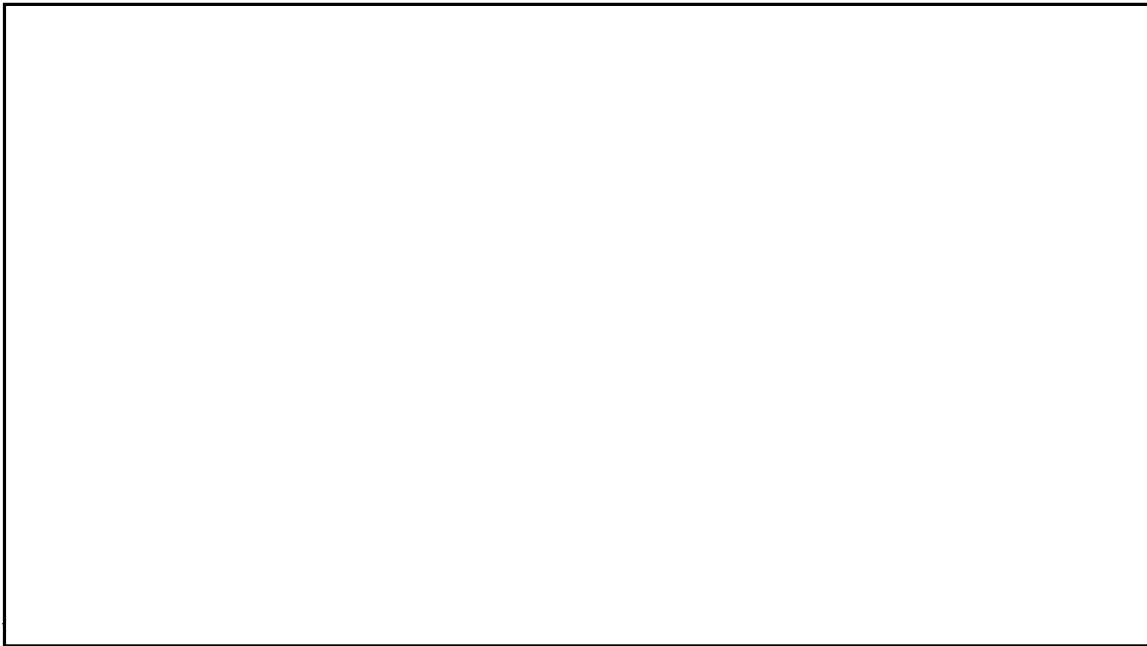
On previous occasions some foreigners convicted in Chinese Communist courts have been "deported" shortly after being sentenced. In this way, Peiping has maintained its right to jurisdiction over these people but avoided the embarrassment of keeping them in jail. In no case, however, were the charges as serious as those made against the American airmen.

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## FAR EAST

### 3. Tachen troop rotation may draw Communist air and sea attacks:

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The Chinese Nationalists began rotation of the Tachen garrison on 19 December. A full-strength division from Formosa is scheduled to complete the replacement of the division now on the islands by 22 January.

Comment: The new division, like the one it replaces, is American-trained and -equipped. It includes 2,400 reserves, most of whom are native Formosans, this being the first occasion that native troops have been used outside Formosa.

Taipei has apparently chosen this time to change units on the Tachens in the belief that generally unfavorable winter weather makes Chinese Communist amphibious attacks less likely.

The Communists could, however, attempt to disrupt replacement operations with air and sea attacks. A

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reported Communist bombing raid against shipping near Lower Tachen on 21 December, which coincided with the first phase of the troop movement, might have been the opening move in a plan to bring increased pressure to bear in the Tachen area.

4. Chinese Communists may be building railroad toward coast opposite Formosa:

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Comment: Radio Peiping stated in a 5 October broadcast that the government might begin railroad construction into Fukien Province ahead of schedule because coastal shipping is "obstructed" by the United States and the Chinese Nationalists. The coastal area opposite the Matsus, the Quemoys, and Formosa now depends on long, mountainous highways for supplies from outside the area, and this railroad to Foochow would greatly improve the Communist logistical ability to supply air bases and other military forces there.

The other railroad indicated under construction could be used to supply military installations on the Leichou Peninsula and Hainan Island. It would also be Kwangsi Province's first direct rail outlet to the sea and would provide rail service to the Hainan-Leichou area. (Concurred in by ORR)

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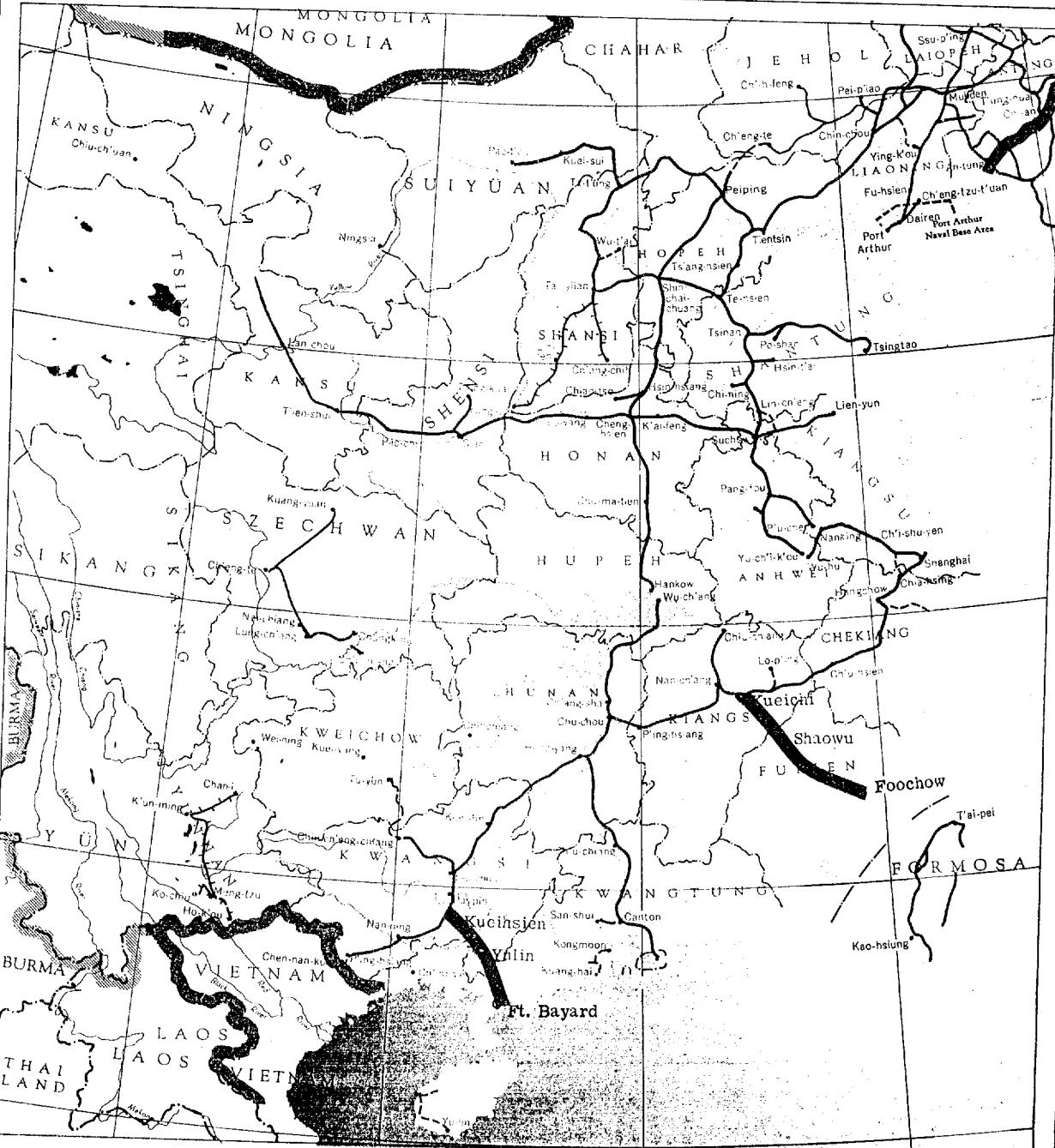
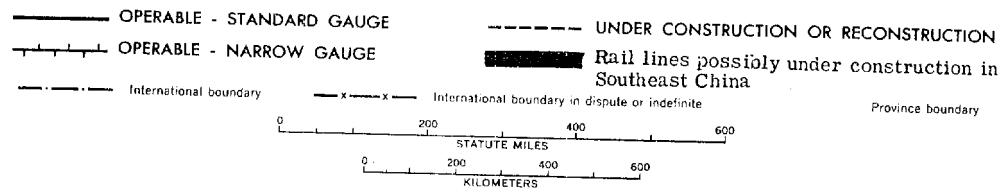
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## RAILROADS IN CHINA



Presentations Division 21 December 1954

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## SOUTHEAST ASIA

5. Vietnamese representative in Paris plans campaign against 1956 elections:

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The Diem government intends to start a publicity campaign in France designed to make clear to the French government and people that South Vietnam is not prepared to accept general elections in July 1956, as provided for in the Geneva agreement. According to a Vietnamese official in Paris, the most important thing now is to disabuse people of the idea that South Vietnam intends to sit by and let the Viet Minh take over all Vietnam through elections in order to avoid a military showdown.

Comment: The campaign against the elections will probably stress their "illegality" while disguising Saigon's fear that their results might be unfavorable.

Opposition to the scheduled elections has been evident in official Vietnamese thinking since Geneva, when the Vietnamese dissociated themselves from the agreement concluded at that conference.

6. Comment on President Sukarno's attitude toward Indonesian elections:

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[redacted] doubt that Indonesia's first elections will be held during 1955 as scheduled. It is generally believed that if elections were held next year they would result in a more moderate government coming to power.

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In reply to a query by Ambassador Cumming on 16 December, President Sukarno expressed the belief that the elections would be held next summer. Sukarno said he would include a statement to that effect in a speech at the National Party congress on 19 December, but, in fact, he made no reference to them on that occasion.

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Further delay in holding the elections will give the National Party, which heads the government, and the Communist Party, which supports it, additional opportunity to strengthen their organizations. Sukarno has in recent weeks clearly identified himself with the present government and may support a postponement of the elections rather than face the prospect of its downfall.

## EASTERN EUROPE

7. East German propagandists may claim US flood-relief supplies contaminated:

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American deputy high commissioner Parkman in Berlin believes that an article in the 18 December issue of an East Berlin newspaper claiming American grain products usually are infested with worms provides the basis for development of a propaganda campaign that the flood relief supplies arriving from the United States are contaminated.

East German Red Cross officials receiving barley and corn supplies from American ships at the port of Wismar in the Soviet zone alleged the barley was infested and that they had put the corn in silos for fumigation. An impartial inspection official, after a trip to Wismar, however, told American officials in Berlin that he is now completely convinced the allegation of infestation is "chicanery."

Comment: A propaganda campaign charging the United States with bad faith for sending infested supplies would tend to offset any positive effects this shipment might have among the population.